

VZCZCXRO8529  
RR RUEHBI RUEHCI  
DE RUEHLM #1109/01 3371253  
ZNR UUUUU ZZH  
R 031253Z DEC 09 ZDK PER UR REQ #8662  
FM AMEMBASSY COLOMBO  
TO RUEHC/SECSTATE WASHDC 0915  
INFO RUEHKA/AMEMBASSY DHAKA 2114  
RUEHIL/AMEMBASSY ISLAMABAD 9148  
RUEHKT/AMEMBASSY KATHMANDU 7394  
RUEHNE/AMEMBASSY NEW DELHI 3546  
RUEHCG/AMCONSUL CHENNAI 9709  
RUEHCI/AMCONSUL KOLKATA 0476  
RUEHKP/AMCONSUL KARACHI 2609  
RUEHBI/AMCONSUL MUMBAI 7000  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 COLOMBO 001109

SIPDIS

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [PGOV](#) [CE](#)

SUBJECT: USAID Support for Reconstruction of Eastern Sri Lanka

¶1. Summary. On November 8-11, Foreign Assistance Coordinator for the Bureau of South and Central Asian Affairs/Office of Regional Affairs (SCA/RA) Aisha Sabar visited USAID funded projects in the Eastern Province. USAID has focused on fostering economic growth, good governance, and reconciliation in the Eastern areas of Sri Lanka freed from the LTTE in 2007. After nearly two years of investment in the Economic Growth, sector, USAID programming in the East is having a substantial impact on the creation of sustainable jobs through investment in public-private partnerships. These programs have assisted the establishment of an apparel factory, increased dairy production, developed papaya cultivation, and brought a new ice cream plant. USAID is also providing vocational support to ex-combatants and implementing linguistics training for local government officials. End Summary.  
USAID Economic Growth Programs in the East

¶2. USAID is helping to create sustainable jobs and jumpstart much-needed economic growth by working with Sri Lanka's private sector. Using public-private partnerships to leverage private sector funds at a greater than 2 to 1 ratio, USAID is creating new business opportunities and jobs in aquaculture, horticulture, ready-made garments, and other major sectors. Public-private partnerships have focused on: 1) Increasing export markets in areas of untapped potential; 2) Decreasing dependence on imports of product that Sri Lanka is capable of producing on its own. All job creation activities emphasize equitable participation from all three ethnic groups - Tamil, Muslim, and Sinhalese.

¶3. Ambassador Butenis officially launched a new ice cream plant in Batticaloa District, (primarily Tamil) as part of a dairy revitalization project that is expected to increase the incomes of 4,000 dairy farmers and reduce dependence on imported milk products. For this project, USAID partnered with Land O'Lakes, a U.S. dairy producer, and CIC Agribusiness, a major Sri Lankan agricultural company. This project alone is expected to increase national milk collection by 9%.

¶4. SCA/RA Assistance Coordinator and USAID staff traveled to Ampara District in Eastern Province to participate in the first papaya harvest of a group of farmers supported by USAID's Papaya Cultivation Project in Monaragala District in adjacent Uva Province.

As part of USAID's umbrella project entitled 'Connecting Regional Economies,' this project will enable 3,000 farmers to grow hybrid red lady papaya, with an anticipated additional monthly income of Rs 10,800. The project leverages funding and technical expertise from Daya Group, a major Sri Lankan company operating in various sectors, including agriculture, apparel, aviation, construction, and microfinance. As a manager from the Daya Group explained, the company had not previously invested in papaya for export. Through the USAID project, the company is training and connecting farmers to European and U.S. markets for fresh and dried papaya. Tamil and Sinhalese farmers explained to the visiting State-USAID team that they are now able to generate sustainable incomes and plan to continue papaya cultivation as a source of income for their

families. Both projects-dairy revitalization and papaya cultivation-are tapping into new areas of investment.

15. Another area for economic growth is in the garment sector. Several garment factories have been established in the East, and a Brandix official told Econoff that more garment factories could move to the East due to competitive wage rates. SCA/RA Assistance Coordinator visited Brandix Lanka Limited, the largest apparel exporter in Sri Lanka. Brandix explained that the Government of Sri Lanka through their Board of Investment is providing tax and other incentives to companies to invest in the East. USAID is partnering with Brandix to train unskilled workers as certified sewing machine operators. Currently, 600 young Tamil, Muslim and Sinhalese are being trained and then hired at the new Brandix apparel factor in Punani, the first Brandix factory in the East. USAID is funding the cost of training at a 1 to 5 ratio.

#### USAID Projects for Good Governance and Political Reconciliation

16. Through Section 1207 Department of Defense funds, USAID is also helping to reintegrate 1,000 Tamil ex-combatants through a variety of reintegration support activities, including vocational training, education, and microloans for self-employment opportunities. Vocational training centers run by different NGO's are being tapped to provide training to former child soldiers and ex-combatants. However, post training employment remains a challenge. During the trip, the State/USAID team visited an impressive vocational training center run by Sarvodya, a national NGO, where former child soldiers are learning employable skills, such as motorbike mechanics and mobile phone repair. This training is expected to support them to reintegrate into the community. The vocational center, which includes a dormitory, was funded by U.S. private sector funds.

COLOMBO 00001109 002 OF 002

Unicef supports the training.

17. SCA/RA Assistance Coordinator observed Tamil/Sinhala language training for mid-level local government officials at the Ampara Urban Council. Training participants explained, while the GoSL had created incentives (e.g. promotion-related incentives) for government officials to learn Tamil, few have had the opportunity to receive proper language training. The training participants, all women, said that after only two (out of six total) months of USAID supported training, they are already better able to communicate with Tamil-speaking citizens in their respective offices (e.g. accounting, tax). USAID is also empowering and strengthening Women's Rural Development Societies (WRDS) at the village level to access local government and donor support for development projects.

18. Comment. USAID is undoubtedly providing important assistance to foster economic growth in the former conflict areas of the East. Post is planning a trip to the East to assess economic progress in the East and whether GSL programs have been effective, which will be reported septel. Meanwhile, USAID and post will work to maximize the effectiveness of our economic and political assistance to the East to provide opportunity and thereby address some of the root causes of the conflict. End Comment.

Fowler